

FINANCE COMMITTEE

Fiscal Year 2009

The Finance Committee advises the Town on matters affecting Town finances and makes transfers from the Reserve Fund to cover extraordinary or unforeseen expenses. The primary focus of the Committee's responsibility and work consists of adopting guidelines for managing the Town's money and recommending a comprehensive budget consistent with those guidelines to Annual Town Meeting. The Committee also recommends a course of action for any articles having financial implications that come before any Annual or Special Town Meeting.

The Finance Committee's recommended budget guidelines are presented in the fall to the budget-making authorities to provide them with information on the level of resources that are expected to be available for spending on operating and capital budgets in the next fiscal year, as well as the need to link spending limits to the need to accumulate and maintain appropriate levels of reserves in the form of Free Cash and the Stabilization Fund. The guidelines are developed from the Finance Director's projections of revenues and spending for the previous, current and next three to five fiscal years. Changes to the guidelines sometimes occur as new information about funding sources and service needs becomes available during the budget process. Such changes might be to the amount of available resources and/or to the proportion of the total going to different sections of the overall Town operating budget: municipal services, elementary schools, regional schools and library services.

Five-year financial plan

In 2008, the Finance Committee supported a proposal of the Budget Coordinating Group to seek the appointment of a special citizens committee to obtain public input about community needs and priorities, consider the financial challenges confronting the community, and develop a five-year financial plan to guide the Town, including the schools and library. The Facilitation of Community Choices Committee focused on the long-term structural deficit that required difficult choices. As that committee engaged in this planning process, the economy entered into a recession that changed basic assumptions about the revenues available to support services and what the Town could provide. Even though the Community Choices analysis and recommendations were based upon different assumptions, the Finance Committee used them to guide it through the difficult issues of 2009.

Fiscal year 2010 guidelines and budget

For FY 10, the committee initially recommended no spending of reserves in order to continue a process of rebuilding them, and limiting overall operating budget increase to no more than 2.1 percent. The committee suggested a 2 percent increase for the municipal budget, a 2 percent increase for the Amherst Elementary Schools budget, a 2 percent increase in tax support to the Jones Library System, and a 3½ percent increase in tax support for the Regional Schools. The committee urged the budget development authorities to define the services most critical to their core mission in order to create a balanced budget without seeking an override of Proposition 2½ taxation limits during 2009.

Due to the recession and its effect on state revenues, the revenue projections continued to decrease as the committee worked to develop a balanced budget for Town Meeting. The Governor's FY 10 budget released in January cut state aid to Amherst by nearly \$2.8 million from the original FY 09 level, a 16.2% cut. The House Ways and Means Committee proposal, released on April 15th, cut state aid by an additional \$615,000 for a total cut of \$3.4 million, or

20.4% from the FY 09 original level. By May 28, the estimated FY 10 local aid was reduced by \$3.67 million, 21.5% below FY 09. The Finance Committee was challenged to develop a balanced budget as projected revenue from the second largest source of funding for the Town was uncertain and continued to decline throughout the process.

As a consequence, the committee had to request that the Town Manager reduce the Municipal Budget by 1.4% from the FY 09 budget, that the Superintendent reduce the Elementary School budget by 1.5% and the Regional School budget by 1.2% (resulting in an increase to the Amherst Assessment of 1.4%), and the Library reduce tax support by 1.5%. The tax-funded portion of the capital budget was decreased by 8.9%.

Reserves

The Town had been spending reserves to support operating budgets, in declining amounts, from FY 02 through FY 08. As the committee developed a budget for FY 10, reserves represented roughly 5% of operating revenues. The section of the Finance Committee's 2008 Financial Management Policies and Objectives regarding reserves states that "reserves, including the combined balance of Free Cash and Stabilization Fund, should be maintained at 5 -15% of general fund operating revenues. The primary objective of the Town's reserve policy is to provide the Town the flexibility to sustain service levels despite the adverse financial impacts of economic downturns and unforeseen and extraordinary expenses." This goal is a widely accepted measure of good financial standing and a key factor in Amherst's bond rating.

Because reserves were just at the minimum level specified in the policy and the economic crisis would continue after FY 10, the Finance Committee developed three criteria for the use of reserves in developing the budget. Consistent with these criteria, the committee proposed to use \$700,000 from reserves for the Elementary School budget to assist with the orderly closure of Marks Meadow Elementary School, and \$500,000 in anticipation of new revenue from local option meals and lodging taxes being considered in the state budget.

The Financial Management Policies and Guidelines support transferring Free Cash amounts over 5% to the Stabilization Fund. The Finance Committee therefore recommended that the fall Special Town Meeting transfer \$460,000 from Free Cash to the Stabilization fund.

Rescission of 2009 state aid

As the Town Manager, Superintendent, and Library Director were developing FY 10 budgets in January 2009, the Governor used his 9C authority to cut FY 09 state aid to Amherst by \$978,298, or 9.75%, in response to decreased tax collections at the State level. The committee considered alternative approaches to addressing the resulting FY 09 deficit and looked for solutions that would not disrupt ongoing programs. Fortunately, the Town received a one-time reimbursement from the state for the Wildwood School roof, which could be partially used to reduce the FY 09 deficit resulting from the 9c rescission. In addition, it was possible to institute a one-month "holiday" from contributions to the health care trust fund. The trust fund had recovered from the crisis of two years before with additional premiums and cost savings from employees transferring to the HMO option and choosing to purchase drugs from the Canadian pharmacy at a lower cost. The Finance Committee endorsed those approaches as well as the use of funds from the overlay surplus that is held to reimburse tax abatements when granted in order to maintain a balanced budget for FY 09.

Fiscal Year 2008 Reserve Fund transfers

The Reserve Fund is used by the Finance Committee to cover extraordinary or unforeseen expenses of the Town. An amount is appropriated at each Annual Town Meeting for this purpose. Most years, including FY 08, the appropriation has been \$100,000. When the Committee met on July 14, 2009, its members voted to transfer \$71,000 from the FY 08 Reserve Fund to Public Works to cover 2/3 of the snow and ice deficit. The remainder of the Reserve Fund closed to the Undesignated Fund Balance and became Free Cash.

Town Meeting Coordinating Committee

This committee made three recommendations to the Finance Committee regarding the manner in which the budget is presented to Town Meeting. We met with members of that committee twice to consider its suggestions and achieve the goals of both committees.

Meetings

The Committee held 35 meetings during the year, 8 of them immediately prior to Town Meeting sessions, 1 of them partially a combined meeting with the Select Board, School Committee and Jones Library Trustees, and 4 of them combined meetings with the Amherst Select Board, Amherst School Committee and representatives from the other three Regional School District towns (Pelham, Leverett, and Shutesbury).

Members of the Committee

Members who served diligently and with great thoughtfulness for the full fiscal year are Brian Morton (Chair), Kay Moran (Vice-Chair), Marilyn Blaustein, Douglas Slaughter, Andrew Steinberg, and Marylou Theilman. Barry Federman and Robert Saul served for a portion of the year. The committee extended a heartfelt thank you to Brian Morton upon his retirement from the committee after 13 years of service to the Town as a member and as a chair of the Finance Committee.

Thanks

This was another difficult year financially for the Town, and consequently the Committee required a great deal of staff support to gather information and to present it to Town Meeting. Assistant Town Manager/Finance Director John Musante, along with staff of the Finance Department, provided necessary information about the Town's financial history and current situation. His knowledge about state technical requirements, policies and politics continued to be most helpful. Maria Racca, Financial Analyst, organized information for us and also produced our reports, usually under acute deadline pressure. We rely on assistance of the Town Manager's office staff to help organize our operation. The committee's review and evaluation of the various parts of the Town's budget depends on the assistance of the Town Manager, School Superintendent, Library Director and members of their staffs, along with department heads and other staff responsible for municipal services. Contributions of the Select Board, School Committee and Jones Library Trustees are essential to arriving at an acceptable budget to recommend to Town Meeting. We thank them all for their generous assistance.

We are committed to organizing and presenting financial information to Town Meeting members in order to assist them in carrying out their duty to determine spending policies and appropriate funding for Town, School, Library and Capital needs of the Town. We appreciate the comments and guidance they give us, both as individual members and as a group, the appropriating authority of the Town.

Andrew Steinberg, Chair